

Committee on Resources, Subcommittee on Energy & Mineral Resources

[energy](#) - - Rep. Barbara Cubin, Chairman

U.S. House of Representatives, Washington, D.C. 20515-6208 - - (202) 225-9297

Witness Statement

**STATEMENT OF BOB ANDERSON
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BUREAU OF LAND MANAGEMENT.
HOUSE RESOURCES COMMITTEE
SUBCOMMITTEE ON ENERGY AND MINERALS RESOURCES
"EFFECTS OF MINING CLAIM FEES ON DOMESTIC EXPLORATION:
ARE THEY WORTH IT?"
March 29, 2001**

Madame Chairman and members of the Committee, I appreciate the opportunity to appear here today to discuss the Bureau of Land Management's (BLM) operation of the mining law administration program and our use of the dedicated funds from the \$100 claim maintenance fee and \$25 location fee.

Through Interior Appropriation Acts, the BLM has been authorized since Fiscal Year 1993 to charge a \$100 maintenance fee to mining claimants. This fee substitutes for an earlier requirement that mine claimants perform \$100 worth of labor or make \$100 worth of improvements, collectively referred to as assessment work, in order to maintain a claim under the General Mining Law of 1872. The BLM is authorized to retain the maintenance fee and use it to defray administration costs associated with operation of BLM's mining program. Those operators qualifying as small miners are exempt from the \$100 holding fee, but continue to be required to perform \$100 worth of assessment work annually.

At the request of the House and Senate authorizing committees, the General Accounting Office (GAO) conducted a review of BLM's use of the Mining Law Administration monies in nine states and the BLM headquarters office. The GAO reported that in Fiscal Year 1998, \$18.6 million, or approximately two thirds of the \$27.8 million expended in the mining law administration program, was spent on labor, while obligations for operations amounted to approximately \$9.2 million. In examining the operational dollars spent by BLM in Fiscal Year 1998, GAO's report highlighted several contracts which appeared questionable.

In response to GAO's report, the Director of the BLM promised quick remedial action to address any instances of improper contract charges to the mining law administration program. Thereafter, the BLM conducted an intensive in-house examination of all contracts in which over \$1,500 was charged to the mining law administration program. The BLM also expanded the scope of this review to include Fiscal Year 1999.

Our review revealed that most contracts were legitimately charged to mining law administration. For example, the GAO identified a contract for \$3,500 to Hollywood Show Lights, which at first glance might raise questions. Hollywood Show Lights provides specialized lighting facilities and vehicles principally to the movie industry. However, further BLM clarification of the contract disclosed that Hollywood Show Lights provided staff and heavy equipment to the BLM for the removal of trash and material from an unauthorized use site on a mining claim in the Tick Canyon area of Los Angeles County. Upon review, both the BLM and the GAO determined this to have been a proper utilization of mining law administration funds.

The BLM review disclosed that certain contract charges that should have been made to other programs were erroneously made to the mining law administration program. In response, the BLM subsequently refunded \$716,000 of erroneous charges to the mining law administration program through internal budget adjustments. The identified contracts/services charges have been corrected and use of the recovered mining law funds is being tracked and monitored.

Most recently, the GAO conducted a limited review of labor spending in the first ten months of fiscal year 2000. The GAO surveyed a sample of 125 employees and asked for their understandings and recollections concerning how their time was charged last year. The GAO report estimated that, based on projections of this sampling, approximately \$1.2 million in mining law administration funds were used on BLM activities that did not directly relate to mining law administration. In our February 2001 response to the GAO, we stated that we would attempt to make appropriate adjustments and restore the misdirected funds. However, unlike our review of contract expenditures, we believe it to be difficult, if not impossible, to reconstruct accurately all of our employees' labor charges in order to identify where possible misdirection of labor costs may have occurred and should be adjusted. In addition to requiring a significant commitment of resources, this process would most likely result in questionable conclusions as corrective actions would necessarily rely on employees' recollections of time spent doing work as much as a year ago. After discussions with the GAO which are scheduled to take place in the next two weeks, we intend to review the GAO's survey results and correct specific instances of miscoding in Fiscal Year 2000.

We are firmly committed to improving cost accountability in the mining law administration program. We are making improvements in guiding and training our employees in the proper uses of mining law administration program funding. In addition, we will focus on better methods of monitoring mining law administration funds. We have already taken some steps in this direction. For example, prior to GAO's survey of labor charges, we initiated a survey of the mining law administration workload and the skill mixes in our field and state offices. We will use the results of this survey to better align budget and staffing to correspond with workload. As the GAO found in its survey, a significant amount of miscoding of time resulted from field offices not having funding to match program workloads. Additionally, through a newly developed web-based Management Information System (MIS), the BLM now has access to workload and cost data on a current basis. As the agency becomes more familiar and proficient with the use of this data tool, our ability to monitor and track costs and obligations by program will be enhanced. The MIS will facilitate better and more intensive monitoring of expenditures.

In response to the GAO's recommendations, we will issue by the end of April, 2001, additional instructions to our field offices on the types of work activities and operational expenses which may be charged to the mining law administration program.

The BLM appreciates the advice and assessment the GAO has given to our mining law administration program. We are committed to making improvements aimed at ensuring that mining law administration funds are properly directed to the management of this Program.

Madame Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other members of the Committee may have.

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